

Biloxi Marsh Lands Corporation

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March 27, 2024

To the Shareholders of Biloxi Marsh Lands Corporation:

The following is a discussion of the results of the Company's operations for the year ending December 31, 2023. The Company's annual revenue breakdown is as follows: 2023 revenue from oil and gas production for its fee lands was \$1,376 compared to revenue of \$16,605 in 2022. The flow-through losses from the Company's membership interests in limited liability companies was \$421,989 in 2023 compared to \$2,506,194 in 2022. Dividend and interest income for 2023 was \$170,458, compared to \$72,235 for 2022. In 2023, the Company realized a cumulative gain from the sale of investment securities of \$190,989 compared to a cumulative gain in the amount of \$3,541 in 2022. Fee land revenues were \$718,116 for 2023 compared to \$8,350,639 for 2022. Expenses for the year totaled \$634,047 compared to prior year expenses of \$1,239,696. For the year, the Company had net income of \$31,156 or \$.01 per share compared to net income of \$4,454,098 or \$1.78 per share in 2022.

As previously reported, on June 15, 2012, the Company filed a claim (Biloxi Marsh Lands Corp., et al. v. United States; Case No. 12-382L) in the U.S. Court of Federal Claims against the U.S. Army Corps of Engineers (The Biloxi Case) seeking monetary damages for property damage and losses caused by the Mississippi River Gulf Outlet (MR-GO). As reported in last year's President's letter, the case has been focused on additional discovery related to the issue of statute of limitations. The discovery period has ended; and following the court ordered briefing schedule, our legal counsel and the U.S. Department of Justice are preparing written cross-motions for summary judgments on the plaintiffs' taking and contract claims. This should be completed by mid-year. Legal counsel advises that oral arguments will then be scheduled related to the written cross-motions. As continually stated, the Company cannot predict the timing of resolution nor the outcome of this litigation process.

As previously reported the Company entered into a long-term CO₂ Injection Agreement with Denbury Carbon Solutions, LLC effective March 9, 2022. On November 2, 2023 ExxonMobil announced that it completed its acquisition of Denbury.

On January 19, 2024, the Company paid a dividend of \$.125 per share of outstanding common stock to its shareholders of record at the close of business on January 5, 2024 representing a cash dividend payment of \$313,129. Since 2002, the Company has paid approximately \$57,796,000 in total dividends.

We encourage you to visit our website to obtain general information about the Company, its efforts in the coastal restoration arena, as well as historical annual audit reports and press releases. We strongly recommend that all interested parties become familiar with the information available on the Company's website: www.biloximarshlandscorp.com.

B&L Exploration, LLC (“BLX”), of which the Company owns a 75% membership interest, is contractually entitled to a 1.5% of 8/8ths overriding royalty interest (ORRI) in the mineral leases comprising the 9,000 acre - EOC-TUSC BL UDS SUA production unit from which the Highlander well produced. This production unit is located in St. Martin Parish, Louisiana. Information reported by the Highlander well’s operator to LDNR is available on LDNR’s Strategic Online Natural Resources Information System (SONRIS – www.sonris.com). From the day of first production in February of 2015 through March of 2023, the operator has reported to SONRIS that the Jeanerette Minerals No. 1 cumulative production has been 115,317,689 MCF. As previously disclosed, the Operator announced that the Highlander well experienced an operational issue on January 19, 2023 and the well was shut in effective March 31, 2023 ceasing production. According to public statements, the Operator is evaluating its options with respect to the well. This operational issue could result in the permanent cessation of production having a negative effect on the ORRI.

As reported last year, during 2019 B&L Resources, LLC (“BLR”) was formed of which the Company owns a 50% membership interest. As of the date of this letter, BLR has six producing horizontal wells with significant development opportunity as evidenced by the PUD component of the proved reserves. The timing of BLR’s development program on its 3,636.01 acre lease position in Heyser field will be governed by the relative costs of services versus commodity prices.

Based upon a reserve study by an independent reservoir engineering firm covering Heyser Field in South Texas, the different categories of reserves for BLR as of December 31, 2023 are tabulated in the following Table 1:

Table 1 - December 31, 2023 Reserves
B&L Resources LLC

<u>Category</u>	<u>Net Reserves</u>		
	<u>Oil</u>	<u>Gas</u>	<u>NGL</u>
	<u>(MBBL)</u>	<u>(MMCF)</u>	<u>(MBBL)</u>
Proved Developed Producing ("PDP")	890.2	6,752.3	27.0
Proved Developed Non-Producing ("PDNP")	-	-	-
Proved Undeveloped ("PUD")	567.8	9,750.0	39.0
Total Proved	1,457.9	16,502.3	66.0
Probable	234.2	4,643.5	18.6
Possible	-	-	-

Totals may not add because of rounding.

Note: The table represents the estimates believed to be accurate as determined by independent reservoir engineers, Lonquist & Co. LLC. The table does not include any revenue or cost information and does not include definitions that are an integral part of the complete reserve report. General Information on reserve definitions are available on our website: <https://biloximarshlandscorp.com/wp-content/uploads/2024/03/SPE-Petroleum-Resources-Management-System-2018.pdf>

Attracting third parties interested in exploring for and developing the minerals beneath our fee lands in St. Bernard Parish, Louisiana continues to prove difficult. Nonetheless, we continue to generate opportunities for our shareholders while understanding the importance of oil and gas as a core asset which is demonstrated by the significant proved reserves attributable to Heysler field in Calhoun County, Texas.

Sincerely,



William B. Rudolf
President and Chief Executive Officer
Metairie, Louisiana
Email: wrudolf@blexp.net¹

¹ This letter contains forward-looking statements regarding oil and gas discoveries, oil and gas exploration, development and production activities and reserves. Accuracy of the forward-looking statements depends on assumptions about events that change over time and is thus susceptible to periodic change based on actual experience and new developments. The Company cautions readers that it assumes no obligation to update or publicly release any revisions to the forward-looking statements in this report. Important factors that might cause future results to differ from these forward-looking statements include: variations in the market prices of oil and natural gas; drilling results; unanticipated fluctuations in flow rates of producing wells; oil and natural gas reserves expectations; the ability to satisfy future cash obligations and environmental costs; additional drilling, and general exploration and development risks and hazards. Readers are cautioned not to place undue reliance on forward-looking statements made by or on behalf of the Company. Each such statement speaks only as of the day it was made. The factors described above cannot be controlled by the Company. When used in this report, the words "hopeful", "believes", "estimates", "plans", "expects", "could", "should", "outlook", "possibly" and "anticipates" and similar expressions as they relate to the Company or its management are intended to identify forward-looking statements.

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BILOXI MARSH LANDS CORPORATION
FINANCIAL STATEMENTS – INCOME TAX BASIS
DECEMBER 31, 2023
(WITH INDEPENDENT AUDITORS' REPORT THEREON)



BILOXI MARSH LANDS CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
Biloxi Marsh Lands Corporation

Opinion

We have audited the financial statements of Biloxi Marsh Lands Corporation (the "Company"), which comprise the statements of assets, liabilities and stockholders' equity – income tax basis as of December 31, 2023, and the related statements of revenue and expenses – income tax basis, changes in stockholders' equity – income tax basis, and cash flows – income tax basis for the year then ended, and the related notes to the financial statements – income tax basis.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 2023, and its revenue and expenses, changes in stockholders' equity and its cash flows for the year then ended in accordance with the basis of accounting the Company uses for income tax purposes described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of the Company for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on March 30, 2023.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting Biloxi Marsh Lands Corporation uses for income tax purposes, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information Included in the President's Letter to Shareholders

Management is responsible for the other information included in the President's Letter to Shareholders (the Other Information). The Other Information comprises the President's Letter to Shareholders but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the financial statements, or the Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

The logo for EisnerAmper LLP, featuring the company name in a stylized, cursive script font.

EISNERAMPER LLP
Metairie, Louisiana
March 27, 2024



BILOXI MARSH LANDS CORPORATION**STATEMENTS OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY****INCOME TAX BASIS****DECEMBER 31, 2023 AND 2022****ASSETS**

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 2,420,255	\$ 2,669,685
Accounts receivable	13,393	171,862
Accrued interest receivable	11,132	10,800
Net income - income tax basis	92,170	104,868
Prepaid expenses	48,684	46,175
Other assets	3,830	3,830
	<u>2,589,464</u>	<u>3,007,220</u>
Total current assets		
Membership interest in limited liability companies	537,825	-
Marketable debt and equity securities - at cost	4,773,424	5,100,710
Land - at cost	234,939	234,939
Levees and office furniture and equipment	267,141	260,181
Less: Accumulated depreciation	<u>(266,027)</u>	<u>(260,181)</u>
Total assets	<u>\$ 8,136,766</u>	<u>\$ 8,342,869</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accrued expenses and other current liabilities	\$ 83,644	\$ 30,214
Membership interest in limited liability companies	<u>938,971</u>	<u>979,157</u>
Total current liabilities	<u>1,022,615</u>	<u>1,009,371</u>
Stockholders' equity		
Common stock, \$0.001 par value. Authorized, 20,000,000 shares; issued, 2,851,196 shares; outstanding, 2,505,028 shares in 2023 and 2022	47,520	47,520
Retained earnings	10,143,656	10,363,003
Treasury Stock, 346,168 shares in 2023 and 2022, at cost	<u>(3,077,025)</u>	<u>(3,077,025)</u>
Total stockholders' equity	<u>7,114,151</u>	<u>7,333,498</u>
Total liabilities and stockholders' equity	<u>\$ 8,136,766</u>	<u>\$ 8,342,869</u>

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION**STATEMENTS OF REVENUES AND EXPENSES****INCOME TAX BASIS****FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Revenues:		
Oil and gas	\$ 1,376	\$ 16,605
Total oil and gas revenues	<u>1,376</u>	<u>16,605</u>
Other income (loss):		
Loss from membership interest in limited liability companies	(421,989)	(2,506,194)
Dividends and interest income	170,458	72,235
Gain on sale of securities	190,989	3,541
Other	24,610	24,600
Fee land income	718,116	8,350,639
Total other income	<u>682,184</u>	<u>5,944,821</u>
Total revenues and other income	<u>683,560</u>	<u>5,961,426</u>
Expenses:		
Compensation and salaries	192,490	701,596
Association dues	5,000	5,030
Professional fees	87,219	102,064
Consultants	2,750	84,075
Depreciation	5,846	-
Directors' fees	28,500	66,500
Insurance	90,291	79,655
Surface patrolling and oversight	6,413	19,837
Other	43,501	31,472
Portfolio management	27,184	21,295
Taxes and licenses	96,518	65,849
Rent	36,445	31,875
Shareholder relations	11,890	30,448
Total expenses	<u>634,047</u>	<u>1,239,696</u>
Income tax expense	18,357	267,632
Net income - income tax basis	<u>\$ 31,156</u>	<u>\$ 4,454,098</u>
Net income per share - income tax basis	\$ 0.01	\$ 1.78

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****INCOME TAX BASIS****FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>Common stock</u>		<u>Treasury stock</u>		<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>		
Balance, December 31, 2021	2,851,196	\$ 47,520	(346,168)	\$ (3,077,025)	\$ 6,660,413	\$ 3,630,908
Net income - income tax basis	-	-	-	-	4,454,098	4,454,098
Dividends	-	-	-	-	(751,508)	(751,508)
Balance, December 31, 2022	<u>2,851,196</u>	<u>\$ 47,520</u>	<u>(346,168)</u>	<u>\$ (3,077,025)</u>	<u>\$ 10,363,003</u>	<u>\$ 7,333,498</u>
Net income - income tax basis	-	-	-	-	31,156	31,156
Dividends	-	-	-	-	(250,503)	(250,503)
Balance, December 31, 2023	<u>2,851,196</u>	<u>\$ 47,520</u>	<u>(346,168)</u>	<u>\$ (3,077,025)</u>	<u>\$ 10,143,656</u>	<u>\$ 7,114,151</u>

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION**STATEMENTS OF CASH FLOWS
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income - income tax basis	\$ 31,156	\$ 4,454,098
Adjustments to reconcile net income - income tax basis net cash provided by (used in) operating activities:		
Depreciation	5,846	-
Gain on sale of securities	(190,989)	(3,541)
Loss from membership interest in limited liability companies	421,989	2,506,194
Change in operating assets and liabilities:		
Accounts and interest receivable	158,137	(174,003)
Prepaid expenses	(2,509)	(7,938)
Income taxes receivable	12,698	(101,891)
Accrued expenses	53,430	(6,205)
Other current liabilities	-	-
Net cash provided by operating activities	<u>489,758</u>	<u>6,666,714</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from the sale of securities	2,785,281	510,074
Purchase of securities	(2,267,006)	(3,105,455)
Contributions to B&L Exploration & B&L Resources	(1,000,000)	(1,812,500)
Purchase of furniture and equipment	(6,960)	-
Net cash used in investing activities	<u>(488,685)</u>	<u>(4,407,881)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Dividends paid	(250,503)	(751,508)
Net cash used in financing activities	<u>(250,503)</u>	<u>(751,508)</u>
Net change in cash and cash equivalents	(249,430)	1,507,325
Cash and cash equivalents, beginning of year	2,669,685	1,162,360
Cash and cash equivalents, end of year	<u>\$ 2,420,255</u>	<u>\$ 2,669,685</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>		
Cash paid for income taxes	\$ -	\$ (372,500)

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies

Nature of Operations

Biloxi Marsh Lands Corporation (the Company) is a Delaware corporation whose principal assets are surface and mineral rights to approximately 90,000 acres of marsh land in St. Bernard Parish, Louisiana, which from time to time generates revenues from mineral activities including lease bonuses, delay rentals, royalties on oil and natural gas production, and fee land income unrelated to oil and gas activities. Through a written agreement with an established industry participant, during 2022 the Company entered into the Carbon Capture Utilization and Sequestration (“CCUS”) business sector on its fee lands in St. Bernard Parish, Louisiana.

The Company owns a membership interest in B&L Exploration L.L.C. (B&L Exploration), and B&L Resources L.L.C. (B&L Resources). B&L Exploration and B&L Resources are engaged principally in the exploration for and development of oil and natural gas resources through various ownership interests in oil and natural gas properties located in Louisiana and Texas.

Basis of Accounting

The accompanying financial statements – income tax basis are presented in accordance with the accrual method of tax accounting used for federal income tax reporting purposes. Under this method of accounting, revenues are generally recorded when earned, and expenses are recognized when incurred. The accompanying financial statements – income tax basis are not intended to present the financial position and results of operation of the Company in conformity with accounting principles generally accepted in the United States of America.

Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, the amounts reported in the financial statements – income tax basis may be subject to change at a later date upon final determination by the taxing authorities.

Use of Estimates

The process of preparing financial statements – income tax basis requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to accrued amounts as of the date of the financial statements – income tax basis. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include \$2,234,485 and \$2,194,788 of investment money market funds with an initial term of less than three months at December 31, 2023 and 2022, respectively.

Accounts Receivable

Accounts receivable are recorded at invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash used in operating activities in the statements of cash flows – income tax basis. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is remote.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies (continued)

Investment Securities

Under the income tax basis of accounting, investment securities are recorded at cost in the statements of assets, liabilities, and stockholders' equity – income tax basis. Unrealized gains and losses are excluded from earnings until realized. Realized gains and losses from the sale of equity securities are determined on a specific-identification basis. Dividend income is recognized when received. Interest income is recognized when earned.

Land and Equipment

Land and equipment are stated at cost. The Company had depreciation expense of \$5,846 and \$0 in 2023 or 2022, respectively. Repair and maintenance costs are expensed when incurred.

Depreciation of property is provided for in amounts sufficient to recognize their cost over their estimated service lives using the Modified Accelerated Cost Recovery System (MACRS) rates as indicated for federal income tax purposes. Capitalized geological and geophysical costs are amortized over a 24-month period.

Membership Interests in Limited Liability Companies

The Company owns a 75% interest in B&L Exploration, L.L.C., an oil and gas exploration business. The carrying amount of the Company's membership interest in B&L Exploration was \$(938,971) and \$(265,251) at December 31, 2023 and 2022, respectively.

Under the income tax method of accounting, the Company accounts for its membership interest on the equity method whereby the Company recognizes its flow through portion of income and losses. Net losses of \$673,721 and \$718,527 flowed through to the Company in 2023 and 2022, respectively. The losses included net additions in costs of \$116,777 and \$429,054 in 2023 and 2022 respectively, representing intangible drilling costs that the Company elected to capitalize and the amortization of those costs. The capitalized costs will be amortized over a period of 60 months. The Company made capital contributions of \$0 and \$1,237,500 in 2023 and 2022, respectively.

The Company also owns a 50% membership interest in B&L Resources L.L.C., an oil and gas exploration business. B&L Resources has commissioned reserve studies, which were completed by independent reservoir engineering firms. These reserve studies estimate that B&L Resources has proved reserves in natural gas and oil attributable to its mineral properties. The proved reserve estimates are not included in the table below summarizing financial information – income tax basis of B&L Resources.

The carrying amount of the Company's membership interest in B&L Resources was \$537,825 and \$(713,906) at December 31, 2023 and 2022, respectively.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies (continued)

Membership Interests in Limited Liability Companies (continued)

Net income of and net loss of \$251,731 and \$1,787,667 flowed through to the Company in 2023 and 2022, respectively. The 2022 net loss included net additions in costs of \$1,049,533 representing the expensing of intangible drilling costs which had been capitalized in 2021 and had been a net reduction in costs of the same amount in 2022. The Company made capital contributions of \$1,000,000 and \$575,000 in 2023 and 2022, respectively.

Revenue Recognition

Under the accrual method of tax accounting, the Company recognizes revenue in the period in which all events have occurred that fix the right to receive the revenue, and the amount can be determined with reasonable accuracy.

Treasury Stock

The Company follows the cost method of accounting for treasury stock transactions.

Income Taxes

Under the income tax basis of accounting, income taxes are accounted for based on an estimate of current federal and state income tax expense. Income tax (benefit) expense includes federal and state taxes currently (receivable) payable as well as deferred taxes.

Operating loss and tax credit carryforwards are recognized as reductions to net deferred income tax liabilities, if it is likely that their benefit will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Under the income tax basis of accounting, the Company does not recognize a liability for uncertain tax positions until agreement and settlement is reached with the taxing authority.

Net Income Per Share

Net income per share – income tax basis is calculated by dividing net income – income tax basis by the weighted average common stock shares outstanding during the period.

Commitments and Contingencies

Under the income tax basis of accounting, liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources, are not recorded until paid. Commitments and contingencies, if material, are disclosed even if not paid as of the financial reporting date. The Company has committed to continue funding the operations of its equity investees, as needed, for a period of at least one-year from issuance date of these financial statements.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(2) Investments in Investment Securities

The cost basis, unrecorded gross unrealized gains, unrecorded gross unrealized losses, and fair value of corporate bonds and equity securities as of December 31, 2023 and 2022 were as follows:

	<u>Cost basis</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
At December 31, 2023:				
Corporate bonds	\$ 1,073,206	\$ 3,889	\$ (15,748)	\$ 1,061,347
Equity securities	<u>3,700,218</u>	<u>94,984</u>	<u>(445,238)</u>	<u>3,349,964</u>
	<u>\$ 4,773,424</u>	<u>\$ 98,873</u>	<u>\$ (460,986)</u>	<u>\$ 4,411,311</u>
At December 31, 2022:				
Corporate bonds	\$ 872,289	\$ -	\$ (36,999)	\$ 835,290
Equity securities	<u>4,228,421</u>	<u>307,044</u>	<u>(732,608)</u>	<u>3,802,857</u>
	<u>\$ 5,100,710</u>	<u>\$ 307,044</u>	<u>\$ (769,607)</u>	<u>\$ 4,638,147</u>

Maturities of corporate bonds were as follows at December 31, 2023:

	<u>Cost basis</u>	<u>Fair value</u>
Due within one year	\$ -	\$ -
Due after one through six years	<u>1,073,206</u>	<u>1,061,347</u>
	<u>\$ 1,073,206</u>	<u>\$ 1,061,347</u>

(3) Investments in Limited Liability Companies

Summary financial information – income tax basis of B&L Exploration as of and for the years ended December 31, 2023 and 2022 (on the income tax basis of accounting) is as follows:

	<u>2023</u>	<u>2022</u>
Financial position – income tax basis:		
Current assets	\$ 615,633	\$ 1,304,655
Other assets	13,596	13,596
Mineral properties and equipment, net	<u>29,898</u>	<u>127,703</u>
Total assets	<u>\$ 659,127</u>	<u>\$ 1,445,954</u>
Total liabilities	\$ 377,426	\$ 421,663
Members' equity	<u>281,701</u>	<u>1,024,291</u>
Total liabilities and members' equity	<u>\$ 659,127</u>	<u>\$ 1,445,954</u>
Results of operations – income tax basis		
Revenues	\$ 951,395	\$ 2,205,550
Net loss	\$ (742,590)	\$ (385,965)

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(3) Investments in Limited Liability Companies (continued)

The Company is a co-guarantor of a \$3,000,000 revolving line of credit with a bank to be utilized by B&L Exploration. The Company has granted a security interest in its investment portfolio as collateral to back its guarantee. From time to time, B&L Exploration utilizes the credit facility during the ordinary course of its oil and gas operations, mainly to fund ongoing projects. The line of credit expires December 1, 2025. B&L Exploration had outstanding borrowings of \$0 under the revolving line of credit as of December 31, 2023 and 2022. As of December 31, 2023, there are no indications that the Company will be required to perform under the terms of the guarantee.

Summary financial information – income tax basis of B&L Resources as of and for the year ended December 31, 2023 and December 31, 2022 (on the income tax basis of accounting) is as follows:

	<u>2023</u>	<u>2022</u>
Financial position – income tax basis:		
Current assets	\$ 1,229,157	\$ 1,862,489
Mineral properties and equipment, net	<u>272,754</u>	<u>270,666</u>
Total assets	<u>\$ 1,501,911</u>	<u>\$ 2,133,155</u>
Total liabilities	\$ 426,260	\$ 3,560,966
Members' equity (deficit)	<u>1,075,651</u>	<u>(1,427,811)</u>
Total liabilities and members' equity (deficit)	<u>\$ 1,501,911</u>	<u>\$ 2,133,155</u>
Results of operations – income tax basis		
Revenues	\$ 3,494,229	\$ 6,482,088
Net Income (loss)	\$ 503,462	\$ (1,476,267)

The Company is a co-guarantor of a \$5,000,000 revolving line of credit with a bank to be utilized by B&L Resources. The Company has granted a security interest in its investment portfolio as collateral to back its guarantee. From time to time, B&L Resources utilizes the credit facility during the ordinary course of its oil and gas operations, mainly to fund ongoing projects. The line of credit expires December 1, 2025. B&L Resources had outstanding borrowings of \$0 and \$2,000,000 under the revolving line of credit as of December 31, 2023 and 2022. As of December 31, 2023, there are no indications that the Company will be required to perform under the terms of the guarantee.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(4) Income Taxes

Components of income tax expense (benefit) are as follows:

	2023			2022		
	Current	Deferred	Total	Current	Deferred	Total
Federal	\$ 15,724	\$ -	\$ 15,724	\$ 152,005	\$ -	\$ 152,005
State	2,633	-	2,633	115,627	-	115,627
Total income tax expense (benefit)	\$ 18,357	\$ -	\$ 18,357	\$ 267,632	\$ -	\$ 267,632

Nontaxable revenues and nondeductible expenses may result in reporting net income for tax basis financial statements that differs from taxable income reported on the tax return. The reconciliation of U.S. federal statutory and effective income tax rates is shown below:

	2023		2022	
Statutory rate	\$ 10,398	21.00 %	\$ 991,563	21.00 %
Percentage Depletion	(50,924)	(102.80) %	(198,368)	(4) %
State Taxes	2,080	4.20 %	91,345	1.90 %
Effect of NOLs	61,029	123.30 %	(612,117)	(13.00) %
Other	(4,226)	(8.50) %	(4,791)	- %
Effective tax rate	\$ 18,357	37.20 %	\$ 267,632	8.00 %

Management has not recorded any deferred tax assets as of December 31, 2023 on net operating loss carry forwards due to the lack of certainty that it is more likely than not that the deferred tax assets will be realized through future operations. Because of 2023 operations, the Company was able to utilize net operating loss carry forwards of \$299,508 federal and \$169,835 state.

Net operating loss (NOL) carryforwards outstanding of \$3,469,749 federal and \$3,089,959 state as of December 31, 2023 can be carried forward indefinitely subject to some limitations.

(5) Stockholders' Equity

Common Stock

Holders of common stock are entitled to one vote per share, to receive dividends, and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(5) Stockholders' Equity (continued)

Rights Plan

On November 6, 2003, the board of directors of the Company adopted a shareholder rights plan. Pursuant to the rights plan by and between the Company and the Company (as Rights Agent), authorized and declared a dividend of one preferred share purchase right for each outstanding share of common shares of the Company on November 20, 2003. Each right entitles the holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, with a par value of \$0.001, at an initial price of \$90.00 per one one-hundredth of a share. The purchase price shall be subject to adjustment from time to time as more fully described in the Rights Agreement. The rights, however, will not become exercisable unless and until, among other things, any person acquires 15% or more of the outstanding common shares of the Company. If a person acquires 15% or more of the outstanding common shares (subject to certain conditions and exceptions more fully described in the Rights Agreement), each right will entitle the holder (other than the person who acquired 15% or more of the outstanding common shares) to purchase preferred stock of the Company at a favorable price. On April 24, 2013, the board of directors of the Company reauthorized the shareholder rights plan dated November 6, 2003 for another ten-year term. On September 12, 2023, the Board of Directors of the Company reauthorized the shareholders right plan dated November 6, 2003 for another ten-year term. Unless reauthorized, the shareholder rights plan will expire on October 31, 2033.

Dividends

On March 22, 2022 the board of directors declared a dividend of \$.30 per outstanding share of common stock payable on April 6, 2022 to shareholders of record as of the close of business on April 1, 2022. On December 21, 2022, the board of directors declared a dividend of \$.10 per outstanding share of common stock payable on January 12, 2023 to shareholders of record as of the close of business on December 30, 2022. On December 19, 2023, the board of directors declared a dividend of \$.125 per outstanding share of common stock payable on January 19, 2024 to the shareholders of record as of the close of the business on January 5, 2024.

(6) Commitments and Contingencies

From time to time, the Company is involved in legal actions to defend title to its property. In the opinion of management, these matters are necessary to protect the Company's interests and the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

(7) Related Parties

A member of the board of directors is a partner in a law firm that represents the Company. From time to time, this firm provides legal counsel to the Company and is paid for services provided.

(8) Risks and Uncertainties

The Company invests in various investment securities which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could be material.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(9) Carbon Capture Agreement

During 2021, the Company began negotiations with Denbury Carbon Solutions, LLC, the carbon capture, utilization, and storage (“CCUS”) business subsidiary of Denbury, Inc. (NYSE:DEN). These negotiations resulted in the Company entering into a long-term CO₂ Injection Agreement with Denbury Carbon Solutions, LLC, effective March 9, 2022. This agreement grants Denbury Carbon Solutions, LLC the sole, exclusive and limited right to inject and sequester CO₂ in pore space beneath a portion of the Company’s property located in St. Bernard Parish, Louisiana. Under the terms and conditions of the Agreement, the commercial terms must be kept confidential. In 2023, Denbury Carbon Solutions, LLC was acquired by Exxon Mobil Corporation.

(10) Concentrations of Credit Risk

The Company has cash deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

(11) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 27, 2024, and determined that there were no additional items requiring disclosure. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.